

Message Text

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21

ACTION EUR-12

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PASS AGRICULTURE

E.O. 11652: NA

TAGS: EAGR, EEC

SUBJECT: "INCORPORATION" PREMIUM, TWO-TIER INTERVENTION PRICE
SYSTEM FOR EC WHEAT

REF: (A) FASTO CIRCULAR 308 (B) EC BRUSSELS 05738

1. THE MISSION CONTACTED COMMISSION OFFICIALS TO DETERMINE THE
ACCURACY OF PRESS REPORTS THAT THE COMMISSION HAD PROPOSED A
PREMIUM FOR THE INCORPORATION OF LOW-QUALITY ("NON-PANIFIABLE")
WHEATS IN ANIMAL FEEDS IN EXCHANGE FOR A
"RESOLUTION" TO REDUCE THE INTERVENTION PRICES ON THIS TYPE OF
WHEAT. THE COMMISSION'S INTENTION TO SUBMIT PROPOSALS ON THESE
MATTERS AT THE NEXT AGRIUCLTURAL COUNCIL MEETING WAS REPORTED
IN REF. B. PRESS ACCOUNTS FURTHER SPECIFIED THAT (A) THE PROPOSED
INCORPORATION PREMIUM WOULD BE 8 UNITS OF ACCOUNT/METRIC TON
TO BE APPLIED FROM AUGUST 1 TO NOVEMBER 30 TO AN ANTICIPATED
6 MILLION TONS OF WHEAT AND (B) A SEPARATE INTERVENTION PRICE
FOR LOW-QUALITY WHEAT WOULD BE ESTABLISHED FOR THE 1976/77
MARKETING YEAR, ABOUT 10 PERCENT BELOW THE INTERVENTION PRICE
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FOR MILLING WHEAT.

2. THE RESPONSE OF COMMISSION OFFICIALS WAS SOMEWHAT CONTRADICTORY. HOWEVER, WE BELIEVE THE PRESS REPORTS CONCERNING THE "INCORPORATION PREMIUM" ARE ESSENTIALLY CORRECT, ALTHOUGH THERE IS SOME DOUBT AS TO WHETHER THE 8 U.A./ MERIC TONE FIGURE CITED IS FIRMLY FIXED. WITH RESPECT TO CHANGES IN THE WHEAT INTERVENTION SYSTEM, THE COMMISSION WILL APPARENTLY RECOMMEND TO THE JULY 21-22 AGRICULTURAL COUNCIL ONLY A VAGUE COUNCIL "RESOLUTION" ASKING THE COMMISSION TO PROPOSE "APPROPRIATE ARRANGEMENT" FOR THE INTERVENTION SYSTEM GOVERNING THIS LOW QUALITY WHEAT WHICH WOULD TREAT IT AS A FEED GRAIN. THE NATURE OF THE ARRANGEMENTS IS NOT SPECIFIED AND PRESUMABLY, WILL NOT BE DETERMINED UNTIL THE AUTUMN PRICE DISCUSSIONS. THE "RESOLUTION" SHOULD ALSO NOTE THAT EXPORT PROMOTION SUBSIDIES SHOULD BE FOCUSED ONLY ON WHEATS OF MILLING QUALITY.

3. COMMENT: THERE WILL APPARENTLY BE SERIOUS TECHNICAL DIFFICULTIES IN DISTINGUISHING BETWEEN THE LOW AND "ACCEPTABLE" QUALITY WHEATS FOR PURPOSES OF INTERVENTION, EXPORT SUBSIDIES, AND INCORPORATION PREMIUMS. WHILE THESE DIFFICULTIES MAY POSSIBLY BE RESOLVED BY THE START OF THE 1976/77 MARKETING YEAR, IT IS VERY UNLIKELY THAT SUCH DISTINCTION CAN BE MADE FOR PURPOSES OF THE AUGUST 1- NOVEMBER 30 "INCORPORATION PREMIUM". THE TEST OF ELIGIBILITY FOR THE PREMIUM IS THEREFORE LIKELY TO BE WHETHER OR NOT THE WHEAT IS IN INTERVENTION AS OF A CERTAIN DATE RATHER THAN SOME TECHNICAL DETERMINATION OF ITS SUITABILITY FOR MILLING. AS NOTED, THE CHANGES ENVISAGED IN THE WHEAT INTERVENTION SYSTEM ARE STILL UNCLEAR. COMMISSION OFFICIALS COULD, HOWEVER, USE THIS PROBLEM AS A VEHICLE FOR THE INTRODUCTION OF "BETTER" GRAIN PRICE RATIOS RECOMMENDED IN THE MEMORANDUM OF 1972 AND AGAIN IN THE STOCK-TAKING REPORT. (WE UNDERSTAND THAT AT LEAST ONE STAFF MEMBER WILL RECOMMEND A SINGLE INTERVENTION PRICE FOR ALL GRAINS SUPPLEMENTED BY A SYSTEM OF PREMIUMS FOR QUALITY WHEATS.)
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